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31 January 1984

MEMORANDUM FOR THE RECORD

SUBJECT: House Permanent Select Committee on Intelligence (HPSCI) Hearing on the Central American Finding

1. On 31 January 1984, at 0930 a hearing was conducted with the HPSCI on the Central American Finding. The following Committee Members were present:

Chairman Edward P. Boland (D., MA)
Anthony Beilenson, (D., CA)
J. Kenneth Robinson (R., VA)
G. William Whitehurst (R., VA)
Louis Stokes (D., OH)
C.W. Bill Young (R., FL)
Bob Stump (R., AZ)

2. Committee Staffers present were:

Thomas Latimer, Staff Director
Duane Andrews
Richard Giza
Bernard Raimo
Mike O'Neil, Chief Counsel
James Bush
Steve Berry, Minority Counsel

3. Representatives from the Department of State were:

Deputy Secretary, Kenneth Dam
DAS, Bill Knepper, INR
DAS, Jim Michael
DAS, Ed Fox
John Wyant, INR

4. Present from the Central Intelligence Agency (CIA) were:

John Stein, Deputy Director for Operations (DDO)
Duane Clarridge, Chief, Latin America Division (C/LA)
Deputy Director for Intelligence, Latin America (DDI/LA)

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5. The hearing, in which a transcript was taken, was opened by Chairman Boland citing the fact that there was a $24 mil cap on expenditures for the Nicaragua program and that over half of the funds had already been obligated. Mr. Boland said that during this hearing he would like to hear the witnesses give an assessment of the past four months of activity and to comment on how or if the Administration plans to seek additional funds. This Memorandum (MFR) should be read in conjunction with the 26 January 1984 MFR covering the staff prebriefing on the same subject. [ ]

6. Ken Dam was the first witness who briefed from a prepared statement on U.S. policy in Central America, particularly Nicaragua, and how the State Department saw the Nicaragua program as an essential ingredient in this policy. Mr. Dam said that, at present, there were four main elements to our policy in Nicaragua; support of democracies, economic development, negotiating a settlement, and providing a security shield around Nicaragua so that the other three Central American countries would have a chance to survive. The success of our policy depends on major changes taking place inside Nicaragua. Mr. Dam said the U.S. Government has four aims with regard to Nicaragua:

(1) end Nicaraguan support to Salvadoran guerrilla groups;

(2) sever Nicaraguan military and security ties to Cuba and the Soviet Bloc;

(3) reduce the overall levels of military forces in the area; and,

(4) force Nicaragua to carry out their original promise of democratic pluralism. [ ]

Mr. Dam said Nicaragua has been intransigent. He said the U.S. was Nicaragua's principal supporter at the time of the successful revolution, but they have consistently rebuffed our economic incentives, which has led us to take a harder stand against the regime. Mr. Dam said the Nicaraguan program is responsible for pressuring the Nicaraguans to seek a peaceful settlement. The Nicaraguans have signed onto the Contradora Twenty-One Points, are easing internal controls, and appear to be stepping away from Cuba. Mr. Dam said he was optimistic over the situation in Central America because other Central American countries are actively encouraging the peace process. On 7 January the "Core Four" and Nicaragua formed three working groups to work out a plan which is due by 1 April 1984 on what major steps will be taken in the peace process. Mr. Dam concluded by saying it was essential to continue keeping the pressure on Nicaragua and to show U.S. support for the entire region. [ ]

7. DDO, John Stein said our prime goal, at this point, is [redacted] between the FDN and ARDE; both groups are separate entities, but they are jointly planning field activities.

8. Mr. Stein then briefed the Committee on the current status of the three groups:

FDN

(1) [redacted]
(2)
(3)
(4)

Misura

(1) Activity among the Misura has not changed dramatically during the past four months.
(2) [redacted]

Pastora

(1) [redacted]
(2)
(3) General lower level of activity.
(4) In mid-January, Pastora ordered a standown in an attempt to force the U.S. to designate him as the overall commander and leader of the Contra forces.
(5) [redacted]

Mr. Stein concluded by saying we will continue to apply overall pressure against the Nicaraguan regime [redacted]

9. Chairman Boland opened the question and answer period by saying that as far as he was concerned the key to Central America's problem is El Salvador, not Nicaragua. [redacted] Mr. Boland said that as far as he was concerned El Salvador was critical and that we must do something to provide economic and military

assistance so they can carry on with their election plans. Mr. Dam said that in talking with the leaders of Costa Rica and Honduras, they were concerned primarily with Nicaragua. He said that the pressure from the insurgency was an indispensible element in our policy in Central America. Mr. Dam also said that our Contra effort has cost Nicaragua $30 to $80 mil, and this burden will eventually, we believe, force Nicaragua to change its policies.

10. The following points were made in a wide ranging question and answer period:

(a) In responding to a question of why expenditures for this program jumped from $2.5 to $5 mil in December, Mr. Clarridge said

(b) It is hard to project expenditures since we are basically reacting to the situation on the ground. costs could increase dramatically.

(c)

(d)

(e) Mr. Clarridge said our instructions are to maintain pressure on the Nicaraguan regime, and we have not made any plans to slow up on our expenditures in anticipation of a funding shortfall in funds.

(f)

(g)

(h) We have not reached a decision within the Administration whether to scale down activities, or seek additional funds before the $24 mil runs out.

(i) We have not held discussions with [redacted] concerning the shortage of funds.

(j) [redacted]

(k) There has been public discussion in the region concerning HR 2760. We believe, however, that leaders in the region have focused on the need for our Nicaraguan program. [redacted]

(l) Nicaragua is supporting guerrilla movements in Costa Rica and Honduras, and has indirect links with the Guatemalan insurgency.

[redacted]

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